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STATEMENT BY ROGER W. JONES, CHAIRMAN
U. S. CIVIL SERVICE COMMISSION ON
H.R. 9883 AND IDENTICAL BILLS
"TO ADJUST THE RATES OF BASIC COMPENSATION
OF CERTAIN OFFICERS AND EMPLOYEES OF THE
FEDERAL GOVERNMENT, AND FOR OTHER PURPOSES."
BEFORE THE
COMMITTEE ON POST OFFICE AND CIVIL SERVICE
HOUSE OF REPRESENTATIVES

APRIL 22, 1960

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

The purpose of my appearance before the Committee today is to discuss the pay situation in the Federal Government, particularly as it relates to H.R. 9883 and other identical bills. May I say at once that I cannot support the legislation before the Committee or the principles on which it is based. In support of my position, I would like to describe the background of the pay picture for the civilian service as a whole. My testimony will give a number of reasons why enactment of any of the pending bills would not be in accord with the President's program.

Background

In June 1959 some 2,380,000 civilians were employed in the diverse and important missions carried out by the departments and agencies. Of this number, about 1,078,000 employees were in the Department of Defense, 550,000 were in the Post Office Department, 171,000 were in the Veterans Administration, and 583,000 in all other departments combined.

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Of these employees, only about 234,000 (10 percent) were located in the Washington, D. C., metropolitan area. The remainder were assigned in thousands of offices located in the states, the territories and possessions, and in foreign countries. Among the states, Vermont had the fewest Federal employees - 3300, as compared to about 237,000 in California. Approximately 129,000 employees were in foreign countries of which about 96,700 (75 percent) were non-citizens. (i.e. indigenous) — +

The Federal civilian payroll amounts to about \$12.5 billions per annum for the entire service. It is made up of about \$148,000,000 for the legislative branch, \$35,000,000 for the judicial branch, and about \$12.3 billions for the executive branch. When we are dealing with annual expenditures of this magnitude, it is easy to understand why pay legislation is a very serious business. In order that there may be no misunderstanding, let me make clear how much of this \$12.5 billions the legislation before you affects. There are excluded from it, payrolls amounting roughly to \$4.1 billions which cover the wage board group, employees paid under the Foreign Service Act, employees whose salaries are determined by administrative authority, the Executive Pay Act group, certain employees in the legislative and judicial branches and some others. This means that H.R. 9883 is concerned with percentage raises on \$8.4 billions or 67% of the annual salary bill of the Federal Government. I should add, Mr. Chairman, that if the pattern of employee coverage in the 1955 and 1958 pay acts should be followed, the payroll of some of the employee groups, presently excluded, would be affected by action taken on this bill.

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The taxpayers generally, as well as the Government and its employees, *
are vitally concerned with this huge payroll. There has never been public
indifference to the problem of appropriately compensating employees of the
Federal Government. Generally, we in America have followed the principle
that the Federal salary system should be compatible with the sound business
practices of private enterprise, - justifiable in cost, and equitable in ILLEGIB
pay relationships among its employees. But it now appears that we have
not done much in recent years to follow the principle we espouse. If the
Federal Government is to correct the situation and attain this end, it
must have a comprehensive pay policy. Unfortunately, we have no such
policy. The impetus of pay raises since the end of World War II, almost
15 years ago, has proved that we have never done a proper job of inter-
relating pay systems. In lieu of making such an effort, we have been
prone to grant percentage and across the board increases without consid-
eration of the policies underlying such an approach. Until a sound pay
policy is developed, pay legislation of the kind before you will continue,
as in the past, to put patch upon patch, with little fundamental improve-
ment to show for a continuing increase in payroll costs. **

Furthermore, it now is clear that what the employee organizations who
have testified on this legislation seek is not just a percentage pay rise,
but fundamental adjustment of Federal salaries, particularly at the lower
levels. Many comparisons have been advanced in support of this position,
but none of these comparisons has recognized that any such adjustment has
major policy implications. Substantial raising of the pay threshold
with resulting compression all the way up the scale, has ultimate effects

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that go far beyond any concept of a cost of living adjustment. Let me give you a concrete example.

You have heard testimony bearing on the relationship of family expenditure budgets to the proposed pay increases. Unquestionably this involves a pay principle which, if adopted, should be extended and related to many Federal pay systems. However, judging from the divergent pay schedules in H.R. 9883, the proponents of the bill have taken a somewhat different view. For example, the proposed entrance rate for a level 1 postal employee is \$3950 per annum, but for a Classification Act employee in the lowest level, GS-1, the entrance rate is \$730 less or \$3220 per annum. If a salary of \$3950 for the lowest level of the Postal Field Service Compensation Schedule is deemed proper and necessary to attain a certain level of living, should it not also apply to the lowest level of the Classification Act? And, for that matter, could it not be extended, equitably, to the many Federal blue-collar employees under wage board systems who are engaged in the same level and kind of work and who, in some areas, are paid at much lower rates? Certainly such an argument will be made, regardless of the fact that wage board rates are based upon those rates prevailing locally in private industry. In such policy matters, the interrelationships among the various pay systems cannot be ignored if the Federal Government, as an employer, is to have a reasonable, rational, and equitable compensation policy. I want to repeat that we should not masquerade a percentage increase with major policy change.

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A brief point should be noted on the structure of the pay schedules themselves. The proposed Postal Field Service schedule provides six pay rates for most grades in lieu of the present seven rates. For many years, eleven pay rates were prescribed for carriers and clerks and certain other categories of positions in first, second, and third class post offices. Conversely, in the first four grades of the General Schedule of the Classification Act, eleven scheduled rates are now proposed as against the present seven. If there is logic to these changes, it has thus far eluded me.

There are many variations in our present pay systems. For example, under the Classification Act of 1949 and the Postal Field Service Compensation Act of 1955, pay is based on the duties and responsibilities of the job and the qualifications required for its performance. In other words, the job is priced and not the man. Conversely, in the Foreign Service and in the Department of Medicine and Surgery of the Veterans Administration, the man, rather than the job, is priced on the basis of personal qualifications and service, although a defensible relationship is maintained between the rank of the man and the level of the assignment.

Pay may be set by Congress on a nationwide basis. It may be set by Administrative action on a local, regional, or national prevailing rate basis as is the case with the many wage board plans for artisans and craftsmen. In some cases, the pay rates may be at least partially negotiated, as is the case in the Government Printing Office and in the Department of the Interior for certain employee groups.

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Differences in the locus of responsibility for pay administration fosters wide divergence among pay plans. For example, Congress fixes salary schedules and pay plans for the Classification Act and Postal groups, and even the Zoo Police. For other groups, agencies are given wide discretion in fixing and adjusting pay schedules as in the case of several hundred thousand blue-collar workers. There appears to be no uniform basis for these differences. Congress sets some high-level salaries, but permits others to be set administratively. Under a variety of statutory and administrative limitations and degrees of limitations, pay is fixed for Public Law 313 positions, for experts and consultants, and for high-ranking positions in the National Aeronautics and Space Administration and the Tennessee Valley Authority.

Congress permits some low-level salaries to be set administratively, such as blue-collar workers at lower levels but sets others by statute (e.g., lower Classification Act levels, lower levels of postal workers, including those performing manual labor).

In the case of salary schedules established by statute, there are no clear-cut criteria for determining when pay adjustments are necessary, the amounts of adjustments to be made, or the basis for making adjustments.

The periods between pay adjustment vary considerably. Adjustments are made almost annually for employees whose wages are fixed by wage boards; at the other extreme, the salary of members of Congress has been increased only five times in the past 100 years. I know of no other group who, on the average, have had to wait 20 years to have their compensation adjusted to meet prevailing conditions.

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May I now turn to the Message of the President of January 18, 1960, transmitting the Budget for the fiscal year 1961? A brief quotation is in point.

"In 1958 immediately following enactment of a 10% general salary increase for Federal civilian employees, I proposed to the Congress a review of all compensation systems in the three branches of the Federal Government, directed toward adoption of an equitable employee compensation policy. This recommendation was renewed in my budget message for the 1960 fiscal year.

"It has been more than 30 years since a thoroughgoing review has been made of the manner in which the Federal Government compensates its employees. There are now dozens of pay plans in the executive branch alone. Review and coordination of the excessive number of pay plans now in existence are the most effective means of removing inequities which adversely affect the Government's ability to recruit and retain qualified personnel in some fields. Continued patching of individual Federal salary systems is not satisfactory as a substitute for a comprehensive Federal pay policy, which should be developed either by authorizing a Joint Commission such as I proposed or by some other equally effective means. Pending development and adoption of such a comprehensive policy, a general pay raise would be unwarranted, unfair to the taxpayers of the United States, and inequitable as among employees compensated under different and unrelated pay systems."

As I see it, the general objectives of such a review would be to prepare comprehensive recommendations which would serve as the basis and guide for legislative proposals as to the compensation system or systems which would best meet current and foreseeable needs of the Federal service. This would include a coordinated system of one or more plans for classifying and compensating white-collar and blue-collar employees plus a comprehensive basic pay policy for the Federal Government. Such a basic pay policy would include a determination of the economic and social factors to be considered in establishing pay scales; the appropriate relationships between Federal Government and State and local government and industry pay; the appropriate role of employees and employee organizations in determining classification and pay policy; the extent to which

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salary and wage rates should be established on a nationwide basis, on a regional or locality basis, or on an industry basis; minimum wage and maximum wage policies; the locus of responsibility for fixing and revising pay rates on a continuing basis; the methods by which pay rates would be fixed and revised; and the methods of installing any new classification or pay plan or plans.

We would hope that policy answers could be made to such questions as - -

Where Federal pay levels are based on prevailing non-Federal levels, should the Government be the leader, be a "model employer," maintain a competitive position . . with the better employees . . with the average employer? What weight should be given on Federal pay levels to such factors as basic standard of living and standard of living improvement factors, changes in consumer prices, increases in non-Federal salaries, minimum rates fixed by the Government for private industry, increase in productivity, governmental fiscal policy, or the effect of Government pay policy on the general economy?

Some of these factors are sometimes considered when adjustments are being made in statutory salary schedules, but such consideration as is given is pretty much on a hit or miss basis and without regard to any consistent policy.

Perhaps the most critical problem relating to statutory pay schedules, particularly those of the Classification Act, is to establish necessary flexibility with adequate controls. In other words, how can we best authorize prompt adjustment of pay schedules when conditions warrant, or

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meet problems arising from differences in prevailing pay levels among occupations or among localities? How can substantial differences among individuals in the matter of accomplishments or qualifications be adequately recognized, or for that matter, should they be recognized? Without doubt, the demands of modern Government in a modern world suggest that greater flexibility in setting and adjusting pay rates is an extremely important need.

The patch-work pattern of pay legislation which currently exists is the result of political efforts to be fair, sometimes in response to group pressures, sometimes to labor market necessities, and often in recognition of unique agency problems. But Congress often has had to act without adequate information, and the Executive Branch, until now, has done little to remedy the lack. A contributing factor to the present imbalance may be that legislative proposals which have pay implications are considered by numerous Congressional committees without the benefit of uniform principles for action or a coordinated review by any single committee of Congress. During the 86th Congress, in the House of Representatives, bills containing provisions relating to compensation matters were referred to this Committee, and to the Committees on Merchant Marine and Fisheries, Veterans' Affairs, Interstate and Foreign Commerce, Education and Labor, Agriculture, Appropriations, Interior and Insular Affairs, Judiciary, Interstate and Foreign Commerce, Government Operations, Foreign Affairs, Public Works, Armed Services, District of Columbia, Un-American Activities, Banking and Currency, Science and Astronautics, Veterans' Affairs, and House Administration -- a total of nineteen different committees.

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It is true, Mr. Chairman, that in many instances the pay provisions are more or less incidental to major purposes of the proposed legislation being considered by other committees. It may be, because such compensation provisions have not been of primary concern to other than this Committee, that these matters are not given as thorough or consistent consideration as they would have received if they had been brought before this Committee. If most of the committees and subcommittees are to consider pay matters, the Congress and the Executive agencies need firm policy guides. The only substitute with any chance of success would be coordinated review of existing and proposed authorizations. This statement, Mr. Chairman, is in no sense intended to be critical. It is intended only to point out the fact that many pieces of legislation on pay matters have emanated from many committees of Congress with many differing points of view. Under such circumstances it is no wonder that the present array of several hundred statutes -- without a comprehensive pay policy -- is bewildering and inconsistent.

An excellent reference work to scores of pay statutes is the Committee Print of December 8, 1959 entitled, "The Classification Act of 1949, as amended, and Related Provisions of Law," which was prepared for the use of the Committee by the Office of the Legislative Counsel of the House of Representatives. Its coverage, however, is relatively limited, since it does not include the many exceptions from the Classification Act or provisions bearing upon the many other pay systems and subsidiary pay laws affecting personnel in the executive branch or in the judicial and legislative branches.

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Survey of White-Collar Salary Rates

The most rational basis for considering pay increases is factual information on the rates paid in private industry for work of approximate comparability to work in the Federal Government. As I stated previously, the Administration has advocated the principle that Federal white-collar pay rates should be reasonably comparable with rates paid by private enterprise for the same or similar work. To put this principle into action, it is necessary to know the pay rates which prevail in non-Federal employment. Unfortunately, although there are bits and pieces restricted either to levels of work or to specific geographic areas, the existing information on white-collar pay is inadequate. I do not believe that data on the gross average salary of production workers in manufacturing presents a valid substitute basis upon which to set or adjust pay scales for white-collar Federal employees.

Although some surveys of salary rates have been made by non-Governmental groups -- usually professional societies and trade associations -- which periodically collect pay data for certain classes of professional, administrative, and technical employees, they usually either ignore or inadequately define the level of work for which pay rates are gathered. The only Governmental survey of use is that which the Bureau of Labor Statistics has conducted of wages for clerical and office workers in 20 metropolitan areas. It, too, has been limited to a few types of jobs in the lower levels. However, taken individually or as a group, these surveys have not provided representative, nationwide data for a reasonable sample of Classification Act jobs.

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This situation is being changed. Congress has recently authorized and provided funds to the Bureau of Labor Statistics for a broad survey program which will permit annual nationwide estimates of the rates paid in private employment for work similar to that performed by Federal employees under the Classification Act. The expanded survey will cover 80 areas which are representative of the metropolitan areas of the United States. Under the new plan, which is now in operation, pay data will be collected on a representative sample of Classification Act occupations from GS-1 through GS-15. The survey will cover 28 occupations and 77 work levels selected from the following fields of work; clerical, general administrative, accounting, personnel, engineering, legal, natural sciences, and mathematics and statistics. Among these fields of work professional and managerial pay data will be collected from 2100 establishments selected from manufacturing; transportation, communication and other public utilities; trade; finance and insurance; and engineering and architectural services. Clerical data will come from ~~all~~ 15,000 establishments to be covered by community wage surveys.

The definitions of industry equivalents of Classification Act jobs at the GS-1 through 15 levels already have been tested in a pilot survey conducted by the Bureau of Labor Statistics in a variety of industries scattered throughout the United States. In the case of industry work equivalent to the GS-16, 17, and 18 levels the Civil Service Commission is undertaking a series of case studies in 26 companies, each of which employ 20,000 or more persons. This study will deal with pay in the fields of science and engineering, finance, legal, personnel, industrial relations, and plant management.

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The first annual report on nationwide white-collar pay will be based upon Bureau of Labor Statistics surveys in 60 metropolitan areas between July 1, 1959 and June 30, 1960. A preliminary report will be published in September 1960. Subsequent annual reports will be based upon data collected in all 80 areas. We are moving, at last, to provide a factual basis which can be widely used.

Considerable testimony has been presented to the Committee to demonstrate that Federal salaries are below those available in private industry. Without any doubt this is true in many kinds of professional activities, particularly at the starting levels and for senior jobs. Engineers and mathematicians are good examples, when we compare salary offers to new college graduates or look at the offers senior government men receive daily from non-Federal organizations. In the middle professional ranges the picture is confused, and in the non-professional groups, almost anything can be shown by way of pay relationships. For example, on the opposite side from the testimony you have heard, there are the results of a 1959 survey made by the National Office Management Association. It is, at least, as indicative of the pay relationships between government and private industry in the first four levels of the Classification Act, as comparisons presented by representatives of employee organizations who have appeared before the Committee.

In 20 clerical positions covered, fairly direct comparisons can be made with similar positions under the Classification Act ranging in grade from GS-1 through GS-4. Some 388,000 employees (about 40% of the total

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coverage) are in these Classification Act grades. You will note from the following tabulation, that for eighteen of the twenty positions covered the salary average of the appropriate Classification Act grade is from 3% to 22% higher than the nationwide averages shown in the survey for similar positions in private enterprise.

<u>Grade</u>	<u>NOMA Position Title</u>	<u>Salary</u>		<u>Class. Act as percent of NOMA</u>
		<u>NOMA Ind. Avg.</u>	<u>Class. Act Grade Avg.</u>	
GS-1	Mail Clerk/Messenger	\$2860	\$3271	114.4
GS-2	Clerk, General "B"	3120	3507	112.4
	Calculating Machine Opr. Jr.	3276	3507	107.1
	Duplicating Machine Opr.	3328	3507	105.4
	File Clerk	2860	3507	122.6
	Key Punch Operator	3276	3507	107.1
	Tabulating Machine Opr. "B"	3744	3507	93.7
	Typist "B"	3068	3507	114.3
GS-3	Bookkeeping Machine Opr.	3120	3814	122.2
	Calculating Machine Opr. Sr.	3692	3814	103.3
	Key Punch Opr. & Verifier	3588	3814	106.3
	Stenographer "B"	3380	3814	112.8
	Tabulating Machine Opr. "A"	4472	3814	85.3
	Telephone Switch Board Opr.	3432	3814	111.1
	Switch Board Opr. Receptionist	3380	3814	112.8
	Typist "A"	3432	3814	111.1
GS-4	Accounting Clerk "B"	3848	4133	107.4
	Clerk, General A	3848	4133	107.4
	Payroll Clerk	3952	4133	104.6
	Stenographer A	3796	4133	108.9

The data show that the minimum rate of the appropriate Classification grade is higher than the nationwide salary average for nine of the positions listed. I do not know whether the comparisons are valid, nor do I know whether other data presented to you present valid comparisons. If they do, something is wrong, and it will not be corrected by percentage raises.

In my opinion, Mr. Chairman, these data demonstrate why a general

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information thus far presented. Until such time as the Bureau of Labor Statistics has completed the surveys upon which it is currently engaged and the resulting reports are available, a general salary increase would be highly speculative, to say the least, and at best could only bring more confusion and uncertainty into the Federal pay policy picture.

Family Budgets

The use of family budgets, particularly the budgets developed by the Heller Committee, as a basis for pay increases, has been mentioned in previous hearings before this Committee. In the September 1959 issue of the Monthly Labor Review, the Bureau of Labor Statistics cautioned that --

"Estimates of budget costs must be evaluated both in relation to the standard of living they describe and the purposes for which they are used. Frequently, however, standard budgets are used with little or no regard to the level of living which they describe, the type of family for which they are defined, or the time and place to which they apply. Thus statistics, which at their best are broad averages designed as bench mark measures, are often used in special situations as the amount a family ought to spend or, conversely, the income a family needs."

The best known budgets for self-supporting families, according to the Bureau, are the "Quantity and Cost Budgets for Two Income Levels," prepared by the Heller Committee for Research in Social Economics of the University of California, and "A Family Budget Standard," prepared by the Community Council of Greater New York.

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The Heller budgets are an attempt to measure the cost of maintaining the "commonly accepted" standards of living of families (man, wife, boy of 13, girl of 8) in two different occupational groups. The budgets cover (1) the budget of a salaried Junior Professional and Executive Worker, and (2) the budget for a Wage Earner subdivided as to homeowner and home renter. The Heller Committee's report states that it has attempted to describe the "commonly accepted" standard of living as the sum of those goods and services that public opinion currently recognizes as necessary to health and reasonably comfortable living. The term "necessary" is described as including far more than a minimum of physical needs. It represents what men commonly expect to enjoy, and, according to a quotation in the Committee Report, it is what "is urgently desired and striven for, special qualification attending substantial success and substantial failure yielding bitter frustration."

In all parts of the budget, including food and housing, the kinds and quantities of goods allowed are based on the customary habits of families living in the San Francisco Bay Area. The budgets are a reflection of consumption habits of these families rather than a description of what people "ought to have." They do not attempt to indicate the best way to spend a given income.

The annual cost of the Junior Professional and Executive Worker budget is \$9,476.43; for the Wage Earner - Homeowner \$6,638.28; and for the Wage Earner - Home renter \$6,271.10. I want to emphasize that this budget -- whatever its purpose and scope -- relates solely to the San Francisco Bay Area. It does not purport to be, and certainly is not, a guide as

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to what might be considered proper for other localities of the nation. Incidentally, the average annual gross wages of production workers in manufacturing in the San Francisco -- Oakland area, based on the December 1959 weekly average pay of \$107.80, is more than \$1,000 less than the Wage Earner -- Homeowner budget.

The second budget study to which the Bureau referred was developed by the Community Council of Greater New York. In October 1959, the Council set a budget for a family of four at \$93.12 per week (\$4,841.24 per year). A third budget, developed by the New York City Welfare Department in cooperation with the State Department of Social Welfare, determines the cost of items of living at minimal standards of health and safety in New York City. Under this budget, \$74.00 a week is required for a family of four to live according to minimal welfare standards in the City of New York.*

My purpose in briefly commenting on these family budgets is simply to point out that, lacking a comprehensive pay policy, the application or non-application of local or even nationwide data of this kind to the fixing and adjusting of Federal statutory scales is uncertain and haphazard.

Increased Earnings in Manufacturing Industries

During the course of hearings on the pending pay bills, impressive statistics have been presented on the increases in gross average earnings

* Source -- Report to the City Council of the City of New York by the Special Committee to Investigate the Causes of Low Wages in the City of New York and the Feasibility of Establishing an

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of production workers in manufacturing, as compared with increases received by white-collar Federal employees over some selected period of time. If there is, in fact, validity in such broad comparisons, then there must be positive assurance that at the beginning of the time period the rates for both the Federal and non-Federal groups were properly related. I seriously question whether such proper relationship has been firmly established. It could be argued that at a given point of time the Federal group was paid too much -- or too little -- as compared to the production workers. The gross average earnings in industry are affected by many things, among them general economic conditions. Possibly I can more clearly indicate why I have misgivings on the use of comparative data of this type by utilizing a base date that most of us would like to forget -- 1932.

According to the Bureau of Labor Statistics in its much quoted publication "Employment and Earnings for February 1960," the gross average weekly earnings of production workers in manufacturing, in 1932, were \$17.05. Figures taken from the President's Budget Message for fiscal year ending June 30, 1934, show that the salary average for 254,103 permanent employees in the Postal field service (including 97,000 clerks and carriers receiving \$2100), for the fiscal year ending June 30, 1932, was \$1897, or on a weekly basis -- \$36.48. This was more than double the weekly earning of the worker in manufacturing. Are we to assume that a reasonable pay relationship existed between the two groups, or that the Federal group should now receive double the gross average earnings of the

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production worker because they did in 1932, or possibly, that the Federal group was paid twice as much as it should have been in 1932. What conclusions can be drawn from 1939 data when the gross weekly average for these production workers was only \$23.86? Was the Federal employee still being paid too much because his average was still more than half again as much?

If meaningful pay comparisons are to be made between Federal or non-Federal employee groups there must be a reasonable degree of similarity between the two groups.

There have been so many references to earnings of production workers in manufacturing that you might be interested in the definition given by the Bureau of Labor Statistics:

"Production and Related Workers include working foremen and all nonsupervisory workers (including leadmen and trainees) engaged in fabricating, processing, assembling, inspection, receiving, storage, handling, packing, warehousing, shipping, maintenance, repair, janitorial and watchman services, product development, auxiliary production for plant's own use (e.g., power plant), and recordkeeping and other services closely associated with the above production operations."

In considering this definition, it seems to me that the employee group in the Federal service which is most nearly comparable is the crafts and labor prevailing rate group and not the white-collar group covered by the Postal Field Service Compensation Act and the Classification Act of 1949.

Increases in the cost of living

The use of time changes in the Consumer Price Index, issued monthly by the Bureau of Labor Statistics, is a factor sometimes having an important bearing on the outcome of pay increase proposals. By definition --

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change in prices of goods and services customarily purchased by families of wage earners and clerical workers living in cities of the United States."

Of all the factors entering into the cost of living, the Consumer Price Index measures only price. The index figure for a given date shows the percent change in the average cost of a list of goods and services, at prevailing prices, to that date from the average of the base period, the years 1947 to 1949, which always equals 100.0. The percent change between two dates measures only the difference in average prices for the same quantities or services of the same qualities priced in the same establishments.

When the percentage of change in the Consumer Price Index, between two dates, is considered significant, it is used as a powerful argument by proponents of pay changes. When the increase is small, one doesn't hear much about it. (The increase in the index since the enactment of the last pay increase is only 1.5 percent.)

Here we get into the question as to the date on which salaries and the index were properly aligned. I believe there would be general agreement that we do not have a sound base point from which to consider Federal salaries as they relate to changes in the cost of living as shown by the Consumer Price Index.

Mr. Chairman and Members of the Committee, my statement, to some people at least, will appear to be purely negative. But my whole thesis is that we don't have a comprehensive pay policy to guide the legislative and executive branches in fixing and adjusting pay for Federal employees.

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Our Government is no small concern -- we are dealing with millions of employees and billions of dollars. We should know what we are doing, and why, and we should have a firm and rational basis for our decisions.

The executive branch alone cannot make the policy and neither can the legislative branch -- it is something that must be worked out together by the two branches.

H. R. 9883 and related bills

In turning directly to the bills under consideration, I should like to refer to my testimony when I appeared before the Subcommittee on Manpower Utilization of this Committee on December 4, 1959. At that time, I stressed the need for modernizing the pay plan of the Classification Act to provide the flexibility required for effective pay administration. I stated that we need a pay plan that will provide (a) means for promptly adjusting Federal salary levels as white-collar pay levels change in industry, (b) greater incentives through greater differences in pay between grades, more in keeping with differences in responsibilities, and through provision for higher within-grade pay for the more competent, (c) ability to vary initial salary offers somewhat to be more attractive to the better qualified applicants and otherwise aid recruiting, and (d) means for meeting special problems, such as recruiting in shortage occupations or in localities where salary levels are exceptionally high.

The bills, as they relate to the Classification Act, do not provide for the modernization of the pay plan I outlined. The initial cost of the bills is very high -- in total, in excess of \$1.6 billion dollars of which the Classification Act is the largest item.

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million based upon employment figures as of June 30, 1959. The bills are retroactive. If enacted as proposed, the Government will have an accrued liability of hundreds of millions of dollars on the date of enactment.

The new salary schedule of per annum rates for the Classification Act is contained in section 201(a) of H. R. 9883 and the identical bills. This schedule increases the number of pay rates within the salary range of each grade. The number of scheduled rates for grades GS-1 through 4 is increased from 7 to 11; GS-5 through 10, from 7 to 9; GS-11 through 14, from 6 to 7; GS-15 through 17, from 5 to 6; and GS-18, from 1 to 3. (Incidentally, the bill reduces the number of pay rates in the Postal schedules from 7 to 6.) In addition to the scheduled rates, a fourth longevity step is added by other provisions of the bill.

The rules for initially adjusting rates of basic compensation currently received by employees to the compensation rates of the new schedule are set forth in section 201(b). Most initial adjustments would be made under the rule in paragraph (1) of that section which is as follows:

"(1) If the officer or employee is receiving basic compensation immediately prior to the effective date of this section at one of the scheduled or longevity rates of a grade in the General Schedule of the Classification Act of 1949, as amended, he shall receive a rate of basic compensation at the corresponding scheduled or longevity rate in effect on and after such date."

Under this rule, for example, an employee at the first rate of the grade of the current schedule would go to the first rate of the same grade in the new schedule; an employee at the seventh rate would go to the seventh

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rate of the same grade in the new schedule; an employee presently at the third longevity rate would to the third longevity rate of the same grade in the new schdeule, and so on. On this basis, initial increases for employees at the several steps within any given grade will vary widely, and, I think, unreasonably. For example, an employee at the first rate of GS-2 will receive a \$300 (9.2%) increase and the employee at the third longevity rate, \$940 (22.9%). Similarly, initial increases in GS-4 vary from \$360 (9.6%) to \$1130 (24.5%); and in GS-9, from \$660 (11%) to \$1675 (22.8%). The initial increase for the highest grade of the General Schedule, GS-18, is \$1100, or less than 7%. It is most interesting to note, Mr. Chairman, that this increase can be equalled or exceeded for thousands of employees in grades as low as GS-4. As a further indication of the illogical and disproportionate increases provided by these bills, some employees in grade GS-3, for example, would receive greater initial increases than would many thousands of employees in grades GS-4 through GS-11. *[Rec. Table distr. tied range by grades]*

The estimated cost, on an annual basis, for the initial application of the schedule alone is approximately \$736 million. Other provisions of the bill add substantially to the cost. Section 207 amends section 701(a) of the Classification Act to provide a uniform 52 weeks "waiting time" for the periodic step increases. Currently, if a step increase is \$200 or more, the law requires the satisfactory completion of 78 weeks service before a step increase is granted. Because additional step rates are added to the scheduled rates of each grade pay range, the practical effect is that everyone now at the top scheduled rate of a grade (in excess of 250,000 employees) and every employee in grades GS-11 and above who has served at

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least 52 weeks at his current scheduled rate without an increase will receive, immediately, an additional step increase. The cost of this provision has been estimated very conservatively as being at least \$40 million.

Section 208 of the bill amends section 703(a) of the Classification Act to require each department to "grant an additional step-increase upon completion of ten years of service in a position in the Federal Civil Service or in the service of the Government of the District of Columbia * * *." This means that every employee paid under the Classification Act on the effective date of the amendment, who has had ten years service in any Federal agency, in any position, under any pay statute (or administrative pay fixing plan) who is in the "Federal Civil Service or in the service of the Government of the District of Columbia" would, regardless of when such service was completed, or how long he had served under the Classification Act, receive an additional step increase.

Based on estimates of the Commission's Actuary, it appears that approximately sixty percent of all Federal employees have 10 or more years of civilian service somewhere in the Federal Government. Since we cannot be sure that this same proportion would apply to employees under the Classification Act who would qualify on the 10 years basis, we have estimated, conservatively, that 50 percent would be eligible to receive the additional step increase. The estimate for this item is \$100 million dollars.

Section 209 of H. R. 9883 provides for 4 rather than the present 3 longevity steps. We estimate the initial cost of the additional step at approximately \$100 million.

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When we add to these sums for salary increases, the estimated additional contributions the Government would have to make to the retirement fund and the increased contribution to the group life insurance plan, we end up with an estimate in excess of \$936.2 million. Mr. Chairman, I believe these estimates are conservative.

Because adequate data are unavailable we cannot estimate the full cost of reducing "waiting time" for periodic step increases from 78 to 52 weeks (section 207), the cost of additional longevity step increases because of the provision which would credit all prior service in any Classification Act grade (section 210), the cost of additional compensation for Classification Act supervisors of wage board employees paid at prevailing rates (section 203), or the increased cost of overtime, holiday, night or other premium or additional pay.

I would also like to comment briefly on certain other provisions of the pending bills. Section 203 provides that

"The incumbent of a position subject to this Act who exercises supervisory authority over one or more employees who are compensated according to the prevailing-rate system shall be so compensated that his salary shall exceed by not less than 5 per centum the rate of compensation of the employee who in the group supervised receives the highest rate of compensation determined according to such prevailing-rate system."

This language is designed to correct the troublesome problems which are created by having Classification Act supervisors in lower pay brackets than the employees they supervise. While this correction would be

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desirable, it should, in fairness, be pointed out that the overlapping pay scales in the Classification Act schedules create a similar problem. It is not unusual to find that a supervisor, newly promoted to a higher grade, will for some time receive less salary than a subordinate employee who has long service in lower grade. This problem also was brought out in testimony before this Committee on March 22, by Mr. Hobart A. Wehking of the National Association of Postmasters who stated that

"Due to longer hours, in many instances, employees receive a larger hourly wage than their postmaster who supervises them and who is responsible for the entire operation of the post office."

In my opinion, this kind of problem could best be dealt with by permitting greater flexibility and judgment in the application of statutory pay schedules, rather than by the inflexible requirement which would be established by section 203.

Section 204 provides that position standards published by the Commission shall be made available by each department upon request to any employee occupying a position subject to the Classification Act. This seems to be the general current practice of most agencies although in many installations, particularly the smaller ones, only those standards are maintained which relate to the positions at the particular installation.

Section 205 provides that

"Any employee or employees (including any officer or officers) affected or any department may request at

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granted to it under subsection (a) and the Commission shall act upon such request. The employee or employees making such request shall be assured of the right to discuss in person with an official representative of the Commission the duties and responsibilities of the position or positions affected, and shall not be subject to any form of restraint, coercion, or intimidation by anyone in a position of supervisory or administrative authority."

So far as we know, employees currently have these rights.

Section 206 provides that --

"Except as otherwise provided in this title, each department shall place each position under its jurisdiction and to which this Act applies in its appropriate class and grade in conformance with standards published by the Commission, or, if no published standards directly apply, consistently with published standards. A department may, whenever the facts warrant, change any position which it has placed in a class or grade under this subsection from such class or grade to another class or grade, but before a position may be changed to a lower grade the head of the agency or his designate shall certify that there has been a significant change in the duties and responsibilities of the position since it was allocated to the grade to which it is currently assigned. Such actions of the departments shall be the basis for the payment of compensation and for personnel transactions until changed

by certificate of the Commission. (Emphasis supplied.)

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This provision is apparently intended to prohibit the correction of

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errors in classification where developments subsequent to the original allocation show that the initial grade assigned was higher than warranted by the actual operation of the job. There is no prohibition against upward revisions of such errors. I think this is a poor balance between the interests of the employee and the interests of the taxpayer which, however, are now adequately and fairly protected under the salary retention provisions of section 507 of the Classification Act. In addition, Mr. Chairman, the intent, at least, of the proposed provision appears to conflict with section 501(a) of the Classification Act which authorizes the Commission to change a position from one grade to another whenever the facts warrant and to certify that action to the department concerned. The department is required by the law to "take action in accordance with such certificate, and such certificate shall be binding on all administrative, certifying, payroll, disbursing and accounting officers of the Government."

Earlier in this statement, I commented on the provision in section 208 which would grant an additional step-increase to an employee upon completion of ten years of service in a position in the "Federal Civil Service or in the service of the Government of the District of Columbia." In addition to its higher cost, I see no merit in this proposal to give a step-increase for the sole reason that an employee has worked ten years in the Federal Civil Service or in the District of Columbia Government. The provision itself raises many questions; for example, employees in grades GS-1 through 4 who have served ten years under the Classification Act -- with no other service -- would at the completion of that period

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receive the eleventh and last regular scheduled pay rate of the grade. This provision requires that he be given an additional step increase which is clearly not one of the four longevities also provided in the bill. Is it the intention, or is it the result, that the effect of this provision is to add to each grade salary range a step increase which is not specifically provided in the schedule of per annum rates contained in section 201 of the bill? Frankly, I find section 208 in conjunction with section 210, which relates to the time and service requirements for longevity steps, confusing.

In summary, Mr. Chairman, I believe that, despite the sincerity of purpose of the sponsors of this legislation, the bill before you is simply another very expensive patch on the already patched up salary systems of the Federal service. It does nothing toward coordinating the many pay plans now in existence, and it is in no sense a satisfactory substitute for a comprehensive Federal pay policy. The results of the expanded BLS pay surveys will be available before the next Congress convenes. It will then be possible to apply on a sound basis the principle of reasonable pay comparability with pay in private enterprise for comparable work. I recommend most sincerely that we await these data before undertaking to set new pay policy or to adjust existing rates. Any action taken now will be cited, inevitably, as reason not to take action again next year, even to adopt new principles. It is, perhaps, unfortunate that we have let ourselves get into difficulty, but the cure is not more difficulty with all of its attendant fiscal consequences and creation of further imbalances. It is my considered opinion that a general salary

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increase would not have the merit its advocates allege for it. I urge the Committee to defer any action on this legislation. The Executive Branch will, I am sure, give its full cooperation in drawing up new principles to govern Federal pay legislation as soon as it has a firm basis for doing so.

I thank you for the opportunity to present my views.

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